

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1292-05
Bill No.: HCS for HB 446
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department
Type: Original
Date: April 11, 2011

Bill Summary: This proposal modifies the elementary and secondary education funding formula.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| General Revenue | \$0 | \$0 | (\$221,944,942) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | (\$221,944,942) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|-------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| State School Moneys Fund | \$0 | \$0 | \$0* |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0* |

*Offsetting Transfer In and Out for FY 14 to State School Moneys Fund is \$221,944,942

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|----------------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Local Government | \$0 | \$0 | \$221,944,942 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposed legislation should not result in additional costs of savings to BAP. BAP defers to the Department of Elementary and Secondary Education on the fiscal impact of this proposal.

The HCS for HB 446 aligns the proration implementation with the SB 247 (FN 1036-03) language that starts the proration in FY 2013. It also changes the percentage proration for hold harmless school districts from 50% of formula districts to 40% of formula districts.

The proposal also repeals the summer school penalty language in §163.037, and contains an emergency clause in Section B.

This substitute adds an amendment to maintain formula distributions to financially stressed school districts at the FY 2010 funding level with no proration impact. The financially stressed school districts include Santa Fe R-X, St. Louis City and Cowgill R-VI.

Officials from the **Department of Elementary and Secondary Education** estimate cost as follows:

| | |
|-----------------|--|
| FY 12 and FY 13 | \$0 |
| FY 14 | \$221,944,942 which represents 93% funding of the formula. |

The current formula was to be phased in over time at an annual cost of approximately \$100 million. If the March payment had met the full formula call, it would have taken \$3,077,994,252 for full funding. The FY11 appropriation was \$3,004,388,410 which means that the formula is currently underfunded by approximately \$73,605,842.

The proposal calls for the formula to be funded in FY12 and FY13 at the current level of \$3,004,388,410, but for the phase in to increase in FY14 to 93%, which is an increase from the current 72%. This increase would drive the cost approximately \$148,339,100 if the formula were now fully funded. The current level of under-funding in the amount of \$73,605,842 must also be factored into the calculation. When that is done it brings the approximate cost in FY14 to \$221,944,942.

FY15 @ 96% would cost approximately \$21,628,292.
FY16 @ 100% would cost approximately \$28,853,516.

| <u>FISCAL IMPACT - State Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
|---|---------------------|-------------------|-------------------------------|
| GENERAL REVENUE | | | |
| <u>Cost</u> - Department of Elementary and Secondary Education (DESE) - Increased state aid | <u>\$0</u> | <u>\$0</u> | <u>(\$221,944,942)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>\$0</u> | <u>\$0</u> | <u>(\$221,944,942)</u> |
| STATE SCHOOL MONEYS FUND | | | |
| <u>Transfer In</u> - General Revenue - Increased state aid | \$0 | \$0 | \$221,944,942 |
| <u>Transfer Out</u> - School Districts - Increased state aid | <u>\$0</u> | <u>\$0</u> | <u>(\$221,944,942)</u> |
| ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
| LOCAL POLITICAL SUBDIVISIONS | | | |
| Income - School Districts - Increased state aid | <u>\$0</u> | <u>\$0</u> | <u>\$221,944,942</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$0</u> | <u>\$0</u> | <u>\$221,944,942</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

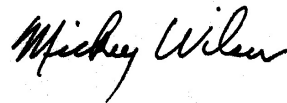
FISCAL DESCRIPTION

The proposed legislation modifies the elementary and secondary education funding formula.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Administration
Division of Budget and Planning



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Director
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